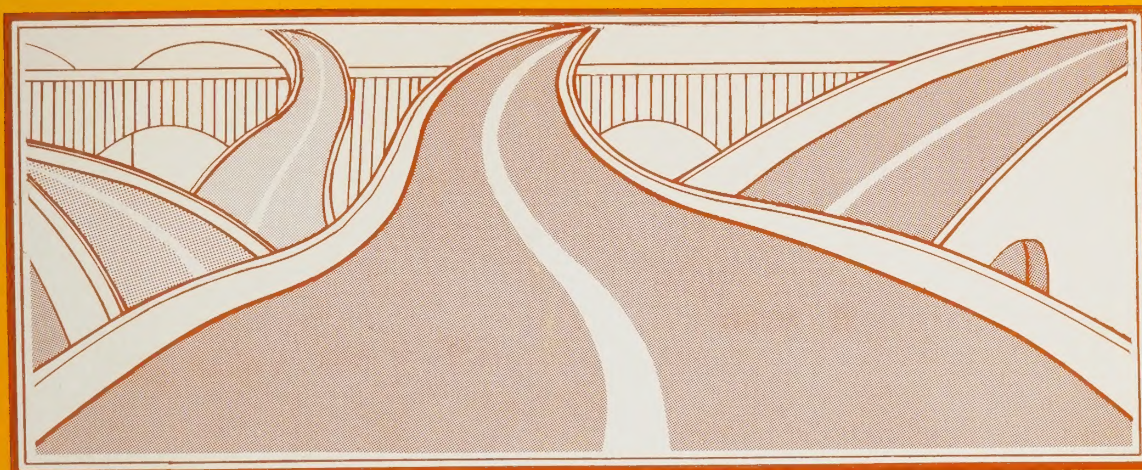

Renewing Our Infrastructure: Workable Ways to Build & Maintain Public Facilities

January 1983

Summary

ASSOCIATION OF BAY AREA GOVERNMENTS
ABAG

BAY AREA COUNCIL

SRI International

RENEWING OUR INFRASTRUCTURE: WORKABLE WAYS TO BUILD & MAINTAIN PUBLIC FACILITIES

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SUMMARY

The San Francisco Bay Area's public facilities--its roads, sewers, wastewater treatment plants--are wearing out. Because the Bay Area is a growing region, we have to worry about how to pay for public facilities critical to our future growth. And we must also devote significant attention to maintaining what we've got at an acceptable level. Yet, because of revenue limits imposed by Proposition 13, rising costs, and an uncertain economy, Bay Area local governments are having difficulty funding maintenance activities, let alone any expansion.

While an estimate of the region's total funding needs isn't available, here are a few examples to illustrate the magnitude of the problem we face in the nine-county Bay Area:

- Streets in one Bay Area jurisdiction are to be replaced once every 200 years--even though they'll wear out in 35-40 years.

- Driving over substandard pavement boosts tire wear by as much as 150% and fuel consumption by as much as 56%, according to estimates of a national highway research agency. American consumers in 1980 shelled out more than $6 billion in extra vehicle repairs because of driving on rough roads.

- Bay Area transit operators face a staggering shortfall. They will need more than $2.1 billion over the next 15 years to replace buses, train cars and related facilities, according to estimates prepared by the Metropolitan Transportation Commission. Add to that figure the costs of needed improvements and expansions, and the Bay Area needs $3.7 billion. MTC estimates that only $2.3 billion may be available.

- Local street and road maintenance budgets were about $100 million short in 1980-81 of what they should have totalled, according to MTC. In constant dollars, expenditures for maintenance of local streets and roads that year were 40% of those spent a decade earlier. Deferred maintenance increases costs.

- In some cities residents have been advised to clean out debris from storm drains because the cities don't have the funds to do the job.

- To provide wastewater treatment for the population level projected for the year 2000, the Bay Area should be spending more than $240 million a year in capital and operation and maintenance costs. Actual expenditures are nowhere near that level.

The Bay Area shares such problems with almost every urban area in the country, although the infrastructure maintenance needs are probably not as critical in the Bay Area as in other older urban regions of the

country, principally in the Northeast. The situation nationally has gotten so bad that the Council of State Planning Agencies has described it as "America in Ruins." An American Public Works Association task force recently estimated that the cost of rebuilding America's infrastructure could reach $3 trillion--at the time all levels of government are strapped for funds just to pay for current services.

In the region, as in the nation as a whole, business shares the public sector's growing concern that the economy can't be sustained when local infrastructure is decaying. To address this problem, the Association of Bay Area Governments and the Bay Area Council, in cooperation with SRI International, formed a Public/Private Task Force on Infrastructure Funding. This joint effort recognized that both the public and private sectors have a stake in ensuring that the Bay Area's existing public facilities are maintained at a reasonable level, and that required new facilities are built to accommodate expected population and job growth.

Besides confirming that the Bay Area's existing infrastructure is seriously deteriorating, the Task Force surveyed the funding options local governments are currently empowered to use, including some that can be pursued in cooperation with the private sector. Where possible, the task force also identified innovative ways of using these funding options.

While the Task Force found that local governments do have potential sources of additional funding for infrastructure, it recognizes that the available techniques constitute temporary, patch-up solutions. Even if all were used in combination, they would not produce the funding necessary to maintain or extend essential public facilities. The Task Force concluded that it will probably be necessary to make other, more fundamental changes in how infrastructure is financed and public investment decisions are made.

It will take time to identify these solutions, gain agreement upon them, and implement them. In the meantime, the Task Force concluded that local governments should vigorously pursue all available funding options, working in cooperation with the private sector.

These techniques examined by the Task Force fall into three categories: <u>revenue-raising</u>, <u>debt</u>, and <u>public-private approaches</u>. They are summarized on pages 4 and 5, with the methods most widely or easily used listed first in each category. The list is followed by Table 1, which indicates the applicability to various public investment needs. Concluding this summary is a matrix that presents the key features of each financing technique, according to the criteria the Task Force used to evaluate them: applicability to types of infrastructure, applicability by differing types of jurisdictions, key procedures, adequacy of yield, economic impacts on the public and private sectors, ease of administration, and legal constraints and opportunities.

What Comes Next?

It is hoped that this report will provide local leaders a place to begin addressing infrastructure funding problems, while working toward regional, State and Federal level solutions. It has been designed as a tool that can be used to weigh the advantages and disadvantages of

funding alternatives, help communities decide which option or set of options is most appropriate to their particular set of circumstances, and build community support for local action. How might this decision-making process work?

Community Problem Solving

Developing a strategy for dealing with local infrastructure problems could involve the following basic steps:

1. Form a coalition of public and private leaders concerned about the issue

   Infrastructure problems affect both business and the community as well as government and most solutions involve the support and involvement of each sector. Early involvement of key leaders in a problem solving coalition can be critical for successful development of effective strategies.

2. Analyze the key elements of the local problem

   Is the problem one of maintenance and repair requiring better replacement schedules or one of construction of new facilities? What are the most critical needs?

3. Identify the possible alternatives

   Using the report and other similar analyses, develop a list of possible options for financing.

4. Evaluate the alternatives

   Using criteria similar to those in the report, determine what options are most appropriate for the community.

5. Develop a strategy for implementing the appropriate options

   Develop community support for adoption of the changes required (i.e., setting up a benefit assessment or community facilities district, adopting a special tax, passing new bond issues, or developing new public-private approaches).

This process could help identify appropriate strategies and build broad community support for adoption of the financing plan. It also would help to identify those actions that would need to be taken on a regional or state level. The approach suggested above is essentially a local community problem solving process that would seek solutions at the community level before moving to higher levels of government for assistance.

SUMMARY OF FINANCING TECHNIQUES

REVENUE-RAISING METHODS

Development Fees and User Charges - A conventional approach to raising local revenues that is becoming more widely used.

Short-Term Money Management - Use of various investment techniques to produce maximum returns on local government funds.

Benefit Assessments - Involves paying for certain public facilities using geographical districts and determining property benefits and proportionate assessments.

Community Facilities Districts - Involves establishment of local districts to enact special taxes to pay for certain public facilities and services.

Redevelopment Authorities - A traditional approach to fund new construction in project areas using property tax increases from rising property assessments.

Independent Authorities - Joint delivery by two or more local public agencies of facilities or services, such as fire and police protection.

Special Taxes - A revenue source identified in Proposition 13 that local governments may use for specific purposes after approval by a two-thirds vote.

Motor Vehicle Fuel Taxes - Involves levying a countywide tax in 1-cent increments per gallon of gasoline, and after approval by voters, allocating the proceeds for local transportation purposes.

DEBT METHODS

Revenue Bonds - Now that general obligation bonds by local governments are limited to those authorized prior to passage of Proposition 13 in 1978, the most readily available and conventional way to finance public facilities.

Lease-Purchase Financing - A traditional approach to acquiring real property or equipment for public purposes.

Certificates of Participation Lease Financing - Involves the sale of certificates (representing interest in leases to public entities) to private investors to raise funds for new facilities. This method is often used in combination with sale and leaseback arrangements.

Creative Use of Bond Instruments - Involves unconventional or non-traditional aspects of bond financing, such as zero coupon or indexed bonds.

PUBLIC-PRIVATE APPROACHES

Charitable Contributions - Seeking contributions from citizens and the private sector for tangible public facilities and their operation and maintenance.

Private Enterprise Licensing - Involves granting exclusive rights to construct and/or operate certain facilities.

Public Sector as Entrepreneur - Involves local government operating as if the local government were a private firm; examples are municipal insurance programs and development of surplus property. This also could involve bargaining with developers to pay for certain facilities in return for public investment and development permits.

Sale and Leaseback - Involves the sale of newly constructed or existing facilities to private investors and leasing them back for public uses.

TABLE 1

APPLICABILITY OF INFRASTRUCTURE FINANCING OPTIONS

NEED OPTION	Waste Water	Local Drainage	Streets Roads	Water Supply	Schools	Transit	Courts Jails
Development Fees and User Charges	X	X	X	X		X	
Short-Term Money Management	X	X	X	X	X	X	X
Benefit Assessments	X	X	X	X		X	
Community Facilities Districts	X	X	X	X	X	X	X
Redevelopment Authority		X	X	X			X
Independent Authority	X	X		X		X	X
Special Taxes	X	X	X	X	X	X	X
Motor Vehicle Fuel Taxes			X			X	
Revenue Bonds	X	X		X		X	
Lease-Purchase Financing	X			X	X	X	X
Certificates of Participation Lease Financing	X			X	X	X	X
Creative Use of Bonds	X	X		X	X	X	X
Charitable Contributions	X	X	X	X	X	X	X
Private Enterprise Licensing	X			X		X	
Public Sector as Enterprenuer	X			X	X	X	
Sale and Leaseback	X			X	X	X	X

Evaluation Matrix for Financing Techniques

Financing technique	Applicability	Key procedures	Adequacy of funding
Development Fees	*Need Class* Applicable to wide variety of improvements: Streets, accessways, easements, drainage systems, bicycle paths, local transit facilities, sunlight easements, park and recreation facilities, schools, collector sewers, bridges, groundwater recharge facilities. *New Facilities or Maintenance of Existing Facilities?* Generally new facilities only. Interest earned on park dedication in-lieu fees paid by developers may be used for park maintenance. *Governmental Unit type* Cities, counties and special districts, including school districts.	Governing body or administrator establishes fee; development fees generally must be adopted by governing body after public hearing.	Whether funds sufficiently pay for actual costs of facilities depends on care in estimating those costs, and establishing fees accordingly.
User Charges	*Need Class* Applicable to all enterprise activities. *New Facilities or Maintenance of Existing Facilities?* Both. *Governmental Unit Type* Cities, counties and special districts for enterprise activities.	Governing body establishes fee, usually by ordinance, minute order or other form of policy action.	Not always sufficient to pay for replacement costs of existing facilities, especially sewage treatment.

Equity	Economic effects	Ease of public administration	Legal constraints and opportunities
Ability to Pay Generally do not take into account ability to pay and therefore are potentially inequitable. *Benefits Received* Fee is directly related to costs of providing the service but may not include all costs.	*Private* Increases private cost of development, however, this cost is usually borne by purchasers of improved property. *Public* Use of fees charged requires public sector to account for actual costs of providing the service.	Most fees are set simply to make administration easy.	Development fees cannot exceed "reasonable cost of providing service."
Ability to Pay Generally do not take into account ability to pay and therefore are potentially inequitable. *Benefits Received* Fee is directly related to costs of providing the service but may not include all costs.	*Private* Some user fees are set using so-called "lifeline" concept; large users of service may subsidize residential consumption (e.g., water). *Public* Use of user charges encourages public sector to account for actual costs of providing the service.	Most user charges are set simply to make administration easy (e.g., water charges on a per gallon basis).	Very few impediments to extracting all costs of providing service.

Financing technique	Applicability	Key procedures	Adequacy of funding
Short-Term Money Management a. Bond anticipation notes b. Grant anticipation notes c. Revenue anticipation notes d. Tax anticipation notes e. Tax-Exempt Commercial Paper f. Demand Notes	Demand note usually used for large capital facility construction period. Other devices may simply improve local agency cash-flow situation.	*Anticipation Notes* Agencies sell notes and repay when revenues are received; agencies often invest funds and earn interest higher than that paid out to investors. *Tax-Exempt Commercial Paper* Short-term note backed by line of credit. *Demand Notes* Short-term note payable after specified notice period; usually backed by line of credit.	Modestly increases local revenues assuming invested funds can earn more than interest paid to investors.
Benefit Assessment	*Need Class* • *Most Applicable* Curbs and Gutters Streets Sidewalks Storm Sewers/Drainage Street Lights Water and Sewage Services • *Probably Applicable** Acquisition of Transit Vehicles Acquistion of Police and Fire Vehicles Construction of Police and Fire Stations • *Potentially Applicable* Operation of Transit Districts Police and Fire Protection Services *Authorized by statute; not upheld by courts. *New Facilities or Maintenance of Existing Facilities?* Operation and maintenance of drainage, flood control and street lights is authorized by statute. Governmental Unit type All local governments; appears most used currently by cities and special districts.	Depending on specific enabling legislation, public hearings, elections and ⅔ majority vote may be required.	Sufficient if costs of improvements are carefully calculated in advance and assessment levels are set to recapture costs.

Equity	Economic effects	Ease of public administration	Legal constraints and opportunities
Ability to Pay No effect. *Benefits Received* May provide tax subsidy.	*Private* May draw funds from private sector investment because of tax exempt status of income received. *Public* Would accommodate more of demand for tax-exempt investments. Public agencies may invest funds received from tax exempt anticipation notes. The earnings less interest paid is the value of the arbitrage.	*Tax Exempt Commercial Paper* Issues should have at least $25 million in short-term debt per issue. *Demand Notes* Optimal size $15-100 million. *Tax Anticipation Notes* Usually used when revenues fall into predictable patterns.	Line of credit must not be used for other purposes. Federal arbitrage regulations may limit the dollar amounts of certain short-term securities that can be issued, and also limit length of time to maturity. Additionally, State regulations may limit the dollar amount to 85% of the expected tax receipts.
Ability to Pay Assessments do not take into account ability to pay and therefore are potentially inequitable. *Benefits Received* Per unit benefit should be the same for all parcels of similar classes of property within district.	*Private* Households and firms within geographic area of assessment district must perceive benefits to be derived from levying the assessment; so long as costs of providing the benefit are carefully calculated and the assessment level set to capture the costs, adverse economic effects should be minimized. *Public* No adverse effect on revenues of other governmental levels, since assessments paid are not deductible in most cases from Federal and State income taxes. Preliminary public costs may not be recovered if voters turn down district formation.	If assessments are calculated simply for administrative convenience, the greater the potential to raise too little or too much money compared to the cost of providing the benefit.	Current State law in some cases has not been tested in the courts. Benefit assessment districts would be potentially more valuable if, in addition to calculating benefits received to property, tax deductions or credits were allowed to minimize equity problems.

Financing technique	Applicability	Key procedures	Adequacy of funding
Community Facilities Districts	Permitted under provisions of the 1982 legislation are facilities and services such as: • Police protection, including jails, detention facilities and juvenile halls. • Fire protection and suppression and provision of ambulance and paramedic facilities. • Property with useful life of five or more years.	Local agencies may form district, and levy special tax for its activities, which requires two-thirds approval.	Should be sufficient if costs of district are carefully calculated prior to election.
Redevelopment Authorities	*Need Class* Applicable to a wide variety of improvements in project area. *New Facilities or Maintenance of Existing Facilities?* Can be used to rehabilitate or provide new construction within the project area. *Governmental Unit Type* Available to cities and counties (for unincorporated area).	Local agency may form redevelopment agency. Then, using tax increment financing, any revenue generated by growth in assessed value over a base year is revenue for repayment of any costs incurred by the redevelopment agency to develop the project area to eradicate blight conditions.	Sufficient.

Equity	Economic effects	Ease of public administration	Legal constraints and opportunities
Ability to Pay Potentially inequitable since special tax would not be calculated on this basis. *Benefits Received* Per unit benefits should be the same for all parcels of similar classes of property.	*Private* Households and firms within geographic area of district must perceive benefits to be derived from special tax levies; so long as costs of providing the benefit are carefully calculated and the levy set capture the costs, adverse economic effects should be minimized. *Public* Preliminary public costs may not be recovered if voters turn down district formation.	Relatively straightforward but new procedure that can be attractive in developing areas. Does require voter approval.	New law has not been tested in courts.
Ability to Pay Inequities may arise between redevelopment areas and taxpayers that benefit from tax increment financing and those of the jurisdiction outside the redevelopment area. *Benefits Received* Tax increment financing derives revenue from the increased property values arising from expanded economic activity in the area. Equity is achieved based on the benefit principle.	*Private* Redevelopment authority can act as an economic stimulus in blighted areas by helping to ensure expanded employment, economic activity and stable tax bases. Its power to generate revenue for capital improvement can help aid in the economic stimulus process. *Public* Diverts property tax revenue growth from other local public agencies to the redevelopment agency for the life of the project.	The redevelopment process is established in State authorizing law and the procedures are straightforward. Issues arise concerning accountability of a city's independent authorities to other general purpose local governments in project areas. Proliferation of special agencies can create problems of coordination in local jurisdictions.	Obligations of the redevelopment agency are not a debt of the community or general taxpayer, but are limited obligations payable solely from the increment allocated to the redevelopment agency from the property in the redevelopment area. Such obligations do not require a vote of the general public.

Financing technique	Applicability	Key procedures	Adequacy of funding
Independent Authorities	Available to all local agencies for all local services and facilities.	Under Joint Exercise of Powers Act, public agencies may agree jointly to exercise powers common to parties to agreement.	Adequate.
Special Taxes	May be used to fund any special purpose activity approved by voters.	Requires two-thirds approval of voters.	Potentially adequate.
Motor Vehicle Fuel Tax	Counties and cities may levy jointly for local streets, roads and fixed guideway purposes.	Requires agreement on by cities and county on amount to be levied, and allocation of revenues, as well as majority vote approval of county voters.	Potentially adequate.

Equity	Economic effects	Ease of public administration	Legal constraints and opportunities
Ability to Pay Not directly relevant. *Benefits Received* Parties must receive benefits or will not agree to provide facilities or services jointly.	*Private* No effect. *Public* May reduce individual jurisdiction's costs of a needed public facility or service if economies of scale can be obtained.	Joint powers agreements are straightforward and simple to execute.	Limitations on exercise of powers to be performed must be same as one of parties to agreement, which party must be named.
Ability to Pay Potentially inequitable unless taken into account in designing tax to be levied. *Benefits Received* Not directly relevant.	*Private* May cause relocation of existing commercial or industrial firms. *Public* Improved fiscal stability of local agency.	Easy to administer once voter approval obtained.	May not be calculated as property tax or sale or transaction tax on property transfer.
Ability to Pay Inequitable because does not reflect ability to pay. *Benefits Received* Equitable because tax is set on a user charge basis.	*Private* Might affect business location decisions. *Public* May improve capital budgeting programs.	Administratively complex to establish ballot measure and allocation of revenues agreements.	Majority approvals specific in law not tested by courts.

Financing technique	Applicability	Key procedures	Adequacy of funding
Revenue Bonds	*Need Class* Water treatment; sanitation; sewage treatment; hospitals; streetlights; and power generation. *New Facilities or Maintenance of Existing Facilities?* New and existing facilities that can generate revenue. *Governmental Unit Type* Cities, counties and special districts authorized to perform enterprise operations.	Authorized under Revenue Bond Law of 1941 or city charter. Requires ordinance or resolution, and underwriting. May require approval by voters.	Level of bonds sold set to recover capital costs, so should be sufficient assuming final project costs stay within budget.
Lease-Purchase Financing	Potentially available for wide variety of equipment or facilities.	Usually involves a set term to acquire property over time.	Sufficient, since lease payments are set to acquire asset over length of lease period.

Equity	Economic effects	Ease of public administration	Legal constraints and opportunities
Ability to Pay No effect since capital must be available to those purchasing bonds. *Benefits Received* Direct Federal tax exemption for interest earned can become a tax subsidy for those of moderate and above incomes.	*Private* May draw funds from private sector investment because of tax exempt status of income received. *Public* Public borrowing must compete with private borrowing in limited bond market. When interest rates are high, bonds may be unsold due to State interest rate limitations.	Requires underwriting and issuance procedures; these are generally routine operations.	While use of general obligation bonds has been severely limited in California because of Proposition 13, revenue bonds remain available. They are not backed by the full faith and credit of the jurisdiction issuing the bonds, and this greater risk is reflected in a higher rate that must be offered to attract bond buyers. After January 1, 1984, local agencies are permitted to pay only 10% interest on all forms of indebtedness. May require specific charter amendments where charter restricts issuances to those approved by voters.
Ability to Pay No effect. *Benefit Received* Equitable.	*Private* Interest portion of a lease purchase agreement may be tax-exempt. *Public* Improved ability of public agency to acquire property without tying up local funds for single payment financing.	Simple to establish through lease-purchase agreements.	Few constraints on public agency.

Financing technique	Applicability	Key procedures	Adequacy of funding
Certificates-of-Participation Lease Financing	Potentially available for any facilities or equipment that would be leased or lease-purchased.	Certificates are issued in registered form serving as evidence to investor that he owns an undivided percentage interest in the lease payments of the jurisdiction. Escrow agent sells certificates to underwriter, which sells to investors.	Adequate.
Creative Use of Bond Instruments	Potentially available if authority to sell bonds exists.	*Zero Coupon Bonds* Bonds are purchased at substantial discounts, and purchasers receive face value at maturity.	Potentially sufficient.
		Variable Rate Bonds Interest paid varies according to specified formula.	Sufficient.

Equity	Economic effects	Ease of public administration	Legal constraints and opportunities
Ability to Pay No effect. *Benefits Received* Not directly relevant.	*Private* May draw funds from private sector investment because of tax exempt status of income received. *Public* Interest rates and issue costs are comparable to bond issues.	Does not require time and effort needed for lease revenue bond issues. Certificates usually issued in $5,000 denominations.	Since certificates not issued by local agency, they are not evidence of indebtedness of agency. Since the lease is not long-term debt, no voter approval is required under Article XIIIA of State Constitution.
Ability to Pay No effect. *Benefits Received* Direct Federal tax exemption for interest earned can become a tax subsidy for those of moderate and above incomes.	*Private* Zero coupon bonds issued by public agencies more attractive investments because of tax-exempt status. *Public* Improves marketability of bonds but also increases financial exposure to bond issuers.	Relatively simple but unusual procedure.	Bond counsel review would indicate any potential problems. Congress may act to limit use of zero coupon bonds.

Financing technique	Applicability	Key procedures	Adequacy of funding
Charitable Contributions	Potentially available for many uses; may be used most effectively to maintain *specific* public properties.	Establish a public contributions program for either general contributions (all are comingled) or for specific items (e.g., adopt a pothole or park bench).	Potentially adequate but not likely.
Private Enterprise Licensing	*Need Class* Bridges; solid waste transfer facilities. *New Facilities or Maintenance of Existing Facilities?* New facilities; maintenance costs borne by licensed private firm. *Governmental Unit Type* Cities, counties and special districts.	State law allows granting of licenses and franchises for enterprise operations and public utilities (Section 39732 of the Government Code and Section 6001 of the Public Utilities Code). Granting of licenses and franchises subject to general law or specific charter provisions.	Sufficient if private firm willing to take risks of public enterprise activity.

Equity	Economic effects	Ease of public administration	Legal constraints and opportunities
Ability to Pay No effect. *Benefits Received* Not directly relevant.	*Private/Private* May reduce charitable donations to other services/agencies (e.g., United Way). Funds contributed are drawn from both savings and consumption.	Relatively simple.	None.
Ability to Pay User charges by private operator can be judged inequitable depending on the fee schedule, since a strict charge according to level of use may not take into account user's ability to pay. *Benefits Received* If user charges are set according to benefits received, no inequities will result.	*Private* Firms might realize greater return by direct investment elsewhere. However, allows private firms to engage in "governmental" activity at a profit. *Public* May reduce public sector costs or expenditures through private provision of services. This depends on the efficiency of the private operator.	Administrative procedures must provide adequate attention to issues such as adequacy of competition, and fair franchise procedures open to public scrutiny.	New uses of licensing may be opposed by public sector employees. U.S. Supreme Court's *Boulder* decision may prompt review of all franchise and licensing authority.

Financing technique	Applicability	Key procedures	Adequacy of funding
Public Sector as Entrepreneur	Potentially available to fund community facilities of any type.	Depends on activity conducted by local agency.	Potentially sufficient.
Sale and Leaseback	*Need Class* 1981 Federal tax legislation specifically authorized use for transit rolling stock. Also applicable to other areas. *New Facilities or Maintenance of Existing Facilities?* New and existing facilities; maintenance can be part of leaseback arrangements. *Government Unit Type* Transit districts; charter cities; and other special districts. Limited applicability in general law cities and counties because of limited authority to undertake tax-axempt debt financing.	• School districts have limited authority to enter into lease arrangements for school facilities under Education Code. • Transit districts have special provisions under 1981 Federal tax legislation to sell bonds for leasing purposes. • Public jurisdictions can negotiate traditional sale and lease arrangements with the private sector, which receives tax advantages.	Sufficient so long as costs of facilities are carefully documented in initial arrangements. Whether enough funds can be raised is heavily dependent on degree to which private firms can be induced to participate in leaseback arrangements.

Equity	Economic effects	Ease of public administration	Legal constraints and opportunities
Ability to Pay May be inequitable if public agency does not address in design of entrepreneurial program. *Benefits Received* For activities where public/private bargaining occurs, revenues generated may be related to benefits derived by private sector.	*Private* May reduce private sector profits somewhat. *Public* Depending on activity, may cause business choices to locate in other jurisdictions, improving economic base there.	Highly dependent on activity chosen.	Few constraints on local agencies unless specific activities are prohibited by local charters.
Ability to Pay Firms acquiring assets must have sufficient capital to do so or will not participate. *Benefits Received* Direct Federal tax writeoffs for firms.	*Private* Firms might realize greater return by direct investment elsewhere. Foregone investment return might be offset by nonquantifiable benefits to firm for exercise of corporate social responsibility, e.g., public attitudes toward firm, increased productivity of workers using improved public facilities. *Public* Essentially a tax expenditure approach to financing facilities by shifting resources to the local level at expense to Federal treasury. Use could give certain regions a slight competitive advantage over others with respect to availability of transit services. Administrative costs likely to range from 1% to 10% of transaction.	Financial and administrative arrangements must be negotiated.	Sale leaseback is an available option under current State and Federal law. Special provisions of the 1981 Federal tax act provide specific advantages for transit rolling stock.

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